

CANADIAN CABLESYSTEMS LIMITED

DIRECTORS

Donald S. Anderson
 Donald L. Angus, P. Eng.
 Robert W. Bonner, Q.C.
 Claude Ducharme, Q.C.
 W. Z. Estey, Q.C.
 Edwin R. Jarman, P. Eng.
 Thomas E. Nichols
 D. A. Williams, C.A.

OFFICERS

President	W. Z. Estey, Q.C.
Executive Vice-President and Treasurer	D. A. Williams, C.A.
Secretary	A. Gnat
General Manager	E. E. Fitzgibbons

HOLDINGS

CABLE TV

Hamilton Co-Axial (1958) Limited	100. %
Grand River Cable TV Limited	100. %
Metro Cable TV Limited	100. %
Cornwall Cable Vision 1961 Limited	50. %
London TV Cable Service Limited	50. %
Jarman Cable TV Limited	34. %
Chatham Cable TV Limited	25. %
Oshawa Cable TV Limited	37.5%
Albarni Cable Television Limited	20 %

TELEVISION

British Columbia Television Broadcasting Systems Limited	11.8%
Bushnell Communications Limited	6.3%
Television de Quebec (Canada) Limitee	20. %

THEATRES

Famous Players Limited	48.8%
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OTHER

Agra Industries Limited—approximately 56,000 shares

Canadian Cablesystems Limited

and Subsidiary Companies

INTERIM REPORT TO SHAREHOLDERS

FOR THE
 SIX MONTHS ENDED
 JUNE 30, 1971

TO THE SHAREHOLDERS

We are pleased to report the unaudited results for the six months ended June 30, 1971 show net earnings of \$1,984,895. (55¢ per share) including extraordinary income of \$646,110. (18¢ per share). The extraordinary income as reported previously represents gains on the sale of the company's interest in Powell River Television Company Limited and 60% of its interest in Television de Quebec (Canada) Limitee as a result of the contracts entered into in order to comply with the foreign ownership regulations applicable to broadcasting. The net earnings of the second quarter include interest costs on the company's income debenture (issued on the cancellation of certain foreign held shares) for the full three months whereas the first quarter results included this cost for only 20 days from the date of its issue March 12th, 1971.

The cable TV companies in which your company holds an interest had a total of 209,149 subscribers at June 30, 1971 compared to 197,431 at December 31, 1970. The company's equity in the subscribers on service at the end of June is approximately 75% representing about 156,000 subscribers. The cabling program is progressing well and in the licensed area under construction in Etobicoke there is currently being installed equipment with maximum capability of 26 channel operation.

Licences

Applications for authority to initiate local community programs in the Toronto, Grand River and Cornwall systems were approved by the CRTC on July 8th, 1971. Equipment has been ordered and is now being installed, and local community programming should be operational in all systems by the end of October 1971.

Applications for renewal of licences have been filed with the CRTC and will be heard this fall for each of the Ontario Cable Systems in which your company holds an interest. The recent policy statement of the CRTC indicated that it was their intention to issue five year licences rather than for shorter periods as has previously been the case. Your company is now in full compliance with the ownership requirements and approximately 90% of its shares are now held by more than 4,500 Canadian shareholders.

Reorganization

Reorganization of the operating companies and the establishment of local boards of directors is well under way and will be completed during September. The permanent offices of Canadian Cablesystems Limited have been established in the Union Carbide Building at 123 Eglinton Avenue East, Toronto 12, and staff have been selected. The management of Metro Cable TV Limited has been strengthened by the

appointment of a new General Manager and three key department heads. This company will move to new premises strategically located with reference to its area of service, and these premises are being equipped with studio facilities for community programming. The new master antenna installed in January 1971 is now providing an excellent picture to subscribers in Toronto.

Theatre Operations

Included in this report are the results of Famous Players Limited, in which your company has a 48.8% interest, together with a brief comment on their operations by their President, Mr. George P. Destounis.

Change of Year End

Your directors have considered the matter of a suitable year end and have now established August 31st as the fiscal year end of the company. This will comply with CRTC requirements but will result in an eight month financial period this year. Thereafter, in order to include the appropriate share of Famous Players Limited's earnings in our results, we will await the completion of their quarterly results (which are based on a 30th of June fiscal year end) before publishing our interim reports to our shareholders. This will mean that future quarterly reports will be issued approximately 90 days after the end of each quarter.

Dividends

In the initial Directors' Meetings following the reorganization, there had not been time to appoint the necessary staff and to properly assess the company's financial position. The directors postponed decision on the payment of a dividend until full financial information was provided. The directors at a meeting held on the 23rd of August 1971 have declared a dividend of 14¢ per share payable September 30th to shareholders of record at September 16, 1971 applicable to the second and third quarters which substantially represents dividends received from Famous Players Limited.

It is the view of the board at present that the earnings of the cable companies should, as far as possible, be available to complete the wiring and equipping of the systems, and to service the debt of the cable companies.

On behalf of the board

31 August 1971

W. Z. Estey, Q. C.,
President

**CANADIAN CABLESYSTEMS LIMITED
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 1971
(unaudited)**

REVENUE

Net Service Income	\$ 2,676,693
Interest Earned	190,982
Management Fees & Other	34,360
Equity in Earnings	
Famous Players Limited:	
Dividends received	280,538
Share of undistributed earnings	427,765
50% Owned Companies:	
Dividends received	1,165,000
Excess of dividends received over share of earnings (net)	(1,025,023)
Other Dividends received	121,021
	<u>3,871,336</u>

EXPENSES

Operating, General and Administration	1,235,721
Depreciation	593,184
Interest	179,179
	<u>2,008,084</u>

EARNINGS BEFORE TAXES

Provision for Income Taxes	<u>524,467</u>
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**NET EARNINGS FOR THE PERIOD
BEFORE EXTRAORDINARY ITEM**

Gain on Sale of Investment in Communication Companies	<u>646,110</u>
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NET EARNINGS FOR THE PERIOD

<u>\$ 1,984,895</u>

Number of Shares Outstanding: 3,606,724

Earnings per Share:

Regular	\$.37
Extraordinary	.18
TOTAL	<u><u>\$.55</u></u>

CANADIAN CABLESYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF SOURCE
AND USE OF WORKING CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 1971
(unaudited)**

SOURCE OF WORKING CAPITAL

Operations:

Net Earnings for the period before extraordinary item	\$ 1,338,785
Depreciation	593,184
Deferred Income Taxes	56,542
Equity in undistributed earnings	<u>(567,742)</u>
	1,420,769

Cash proceeds from sale of communications companies	445,000
Increase in service prepayments	139,669
Dividends from 50% owned companies	1,165,000
Repayments of notes receivable (net)	1,126,866
Other items (net)	<u>193,420</u>
	4,490,724

USE OF WORKING CAPITAL

Payment to Gulf + West- ern (Canada) Limited on reorganization	\$ 11,000,000
Decrease in working capital on sale of theatre assets to Famous Players Limited	1,396,055
Additions to fixed assets (net)	1,066,459
Dividend paid	<u>717,829</u>

14,180,343

DECREASE IN WORKING CAPITAL

9,689,619

WORKING CAPITAL, January 2, 1971

8,730,244

**WORKING CAPITAL DEFICIENCY,
June 30, 1971**

\$ 959,375

**FAMOUS PLAYERS LIMITED
REPORT ON OPERATIONS**

FAMOUS PLAYERS LIMITED, which operates the largest theatre chain in Canada, began the first major international expansion program in the Company's 51 year history during the six month period.

In separate transactions with Gulf + Western, Famous Players will acquire theatres in France and England. Shareholders approved in April 1970 the acquisition of the Twin Paramount Theatres in London and the Paramount Opera Theatre in Paris. These acquisitions were never consummated because of the Company's reorganization. Famous Players now is proceeding with these transactions in the following varied form:

—Through a newly incorporated English Company, Famous Players is acquiring a 50% interest in the Twin Paramount Theatres in London at a cost of approximately \$800,000.00, which will be raised by the new Company. Management of the new Company will be the responsibility of Famous Players.

—Famous Players also is acquiring a 100% interest in the Paramount Opera Theatre in Paris and a 50% interest in a theatre circuit which operates 20 cinemas in France. This transaction calls for the issuance of a one-year income debenture, subject to contractual adjustments, in the principal amount of approximately \$3,500,000.00. The income debenture which is renewable annually for four successive years, if required, bears interest at the rate of one-half the sum of the prime lending rate payable from time to time in New York City plus 1%.

The value attributed in this transaction to the London and Paris theatres mentioned above were the appraised values established at the time of the approval in 1970 as mentioned above.

We are also pleased to report that theatre operations during the first six months of this year improved as a result of increased theatre attendance. The Company continued its modernization program and opened new theatres during this period in Ottawa, Sudbury, Oshawa and Belleville.

Famous Players is also redeveloping some of its valuable land holdings in Canada for commercial and residential use. In May of this year, a 200-room hotel and parking complex was completed in Winnipeg, Manitoba. Currently under development are a 14-storey office building in Ottawa, Ontario, and a 600-apartment suite complex in Edmonton, Alberta. Both projects are scheduled for completion in 1972.

Pursuant to arrangements made during the reorganization meetings, Famous Players has proceeded to obtain independent appraisals of its real estate. However, the Company has not yet completed its analysis of these appraisals but anticipates that this will be completed in the near future.

George P. Destounis,
President,
Famous Players Limited.

**FAMOUS PLAYERS LIMITED AND
SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF EARNINGS
(unaudited)**

	Six Months 1971	Six Months 1970*
Theatre admissions (excluding amusement taxes), confection and equipment sales and other revenue	30,257,329	28,662,141
Theatre operating expenses, cost of goods solds and administration	27,013,112	25,481,448
Operating profit before the undernoted items	3,244,217	3,180,693
Equity in net earnings of 50% owned companies:		
Dividends received and share of undistributed earnings	172,181	233,774
Other dividends received	209,659	129,785
Interest income	186,869	136,839
Profit on sale of securities and fixed assets	23,923	234,886
	<u>3,836,849</u>	<u>3,915,977</u>
Deduct:		
Depreciation	951,635	979,613
Share of profits to minority interests	41,751	45,755
Interest expense	272,808	237,509
	<u>1,266,194</u>	<u>1,262,877</u>
Earnings before income taxes	2,570,655	2,653,100
Income taxes	1,120,986	1,228,588
Net earnings	<u>1,449,669</u>	<u>1,424,512</u>
Shares outstanding	7,178,288	7,178,288
Earnings per share before profit on sale of assets and securities	20c	17c
Earnings per share	20c	20c

*Extracted from 1970 Divisional Statements of Famous Players Canadian Corporation Limited.